

Defense Venture Catalyst Initiative Standards of Conduct

The objective of the Defense Venture Catalyst Initiative (DeVenCI) is to accelerate the insertion of innovative technologies into the U.S. Department of Defense (DoD). The DeVenCI strategy is to increase DoD awareness of innovative companies, which are typically small, early stage, and leading edge, and to make these companies aware of the range and nature of DoD needs.

The *Standards of Conduct* for DeVenCI describes the behavior expected of venture capital consultants and emerging technology companies that participate in DeVenCI-related activities, as well as the DeVenCI personnel and DoD users participating in these activities (“DoD user participants”). Adhering to these standards is particularly important since they are designed to ensure fair and impartial treatment of and by all participants.

1. General Standards of Conduct

1.1 Focus on informing

DeVenCI is not a contracting activity. Its purpose is to increase the opportunities for DoD organizations to find innovative or emerging technologies relevant to their needs. To do so DeVenCI needs to ensure that venture capital consultants and the commercial technology community understand DoD technology needs.

Any decisions to acquire a specific technology must be done directly by DoD contracting activities, and must follow all applicable policies and procedures for open and fair acquisition.

1.2 Focus on national defense

The reason for the existence of DeVenCI is national defense. The activities and interactions of its participants should always reflect that focus. Only technologies with clear and easily discernible potential for promoting national defense should be considered for DeVenCI.

1.3 Focus on contribution

DeVenCI is intended to accelerate the insertion of new technologies and to help promote increased acquisition opportunities for companies with emerging technologies. DeVenCI successes will be measured in terms of demonstrable increases in the security and safety of our nation, its citizens, and its warfighters. The focus in DeVenCI activities must always be on how to accomplish these goals.

2. Venture Capitalist (VC) Standards of Conduct

The VCs are important contributors to the DeVenCI effort, since it is their commitment of time and expertise in bringing new technology solutions and approaches to the attention of the DoD

that is at the heart of the DeVenCI concept. However, their unique position as for-profit funders of new companies also makes it important that they understand and agree to the DeVenCI standards of conduct as a requirement of participation.

2.1 Focus on DoD needs

VCs choosing to participate as consultants in DeVenCI must be willing to support the DeVenCI goal of broad market representation by assisting the DoD in identifying relevant expertise and technology, regardless of who is the primary investor in that technology. Thus, if they are aware of companies relevant to a specific need of the DoD, they must be willing to share that information with DeVenCI even if the company is not one of their own clients.

2.2 Focus on accurate and relevant representation

VCs who participate as consultants in DeVenCI activities must always strive to present new technologies accurately, and to identify only relevant technologies. Technologies that are tangential to DoD needs and DeVenCI goals should neither be presented nor advocated.

2.3 Focus on realistic portrayals of risk

Most emerging technologies are immature in one or more ways. Whenever possible, venture capital consultants should alert DoD participants about the relative maturity of a particular product or client, and identify other significant risk factors related to the technology.

2.4 Conduct their business in a professional manner

VCs participating as consultants should not engage in practices that would be damaging to the image of DeVenCI or the DoD.

2.5 Conduct their business consistent with national security interests

VCs participating as consultants will not seek investment capital from organizations or governments affiliated with terrorist activities. This includes governments designated as state sponsors of terrorism by the U.S. State Department. As of June 2006, the following six countries are designated as state sponsors of terrorism: Cuba, Iran, Libya, North Korea, Sudan, and Syria. The State Department publishes the list of state sponsors of terrorism (which seldom changes) at:

<http://www.state.gov/s/ct/c14151.htm>

2.6 Maintain independence when making recommendations

VCs participating as consultants are required to provide independent advice to DoD representatives through DeVenCI, rather than collaborative or consensus advice and recommendations. Providing independent advice benefits DeVenCI directly by maximizing the information available for developing and facilitating DoD user interactions. In practice, this simply means that VCs should provide their own best advice and recommendations, without regard to whether other VCs would agree or disagree with their opinions.

3. Company Standards of Conduct

It is expected that DeVenCI will be dealing with emerging technology companies that are relatively unfamiliar with the DoD and its needs. The following standards apply to the conduct of all companies that participate in DeVenCI.

3.1 Accuracy of representation

Companies dealing with DeVenCI should be aware of how they can contribute to the safety and security of our nation, its citizens, and its warfighters. Thus, they should present their technologies and status accurately, both to speed the evaluation of their technology and to increase the likelihood of DoD acquisition.

3.2 Willingness to support hands-on evaluations

Companies should consider making their technologies readily available to DoD evaluation by providing hands-on support when necessary. This support will speed evaluations and help increase the DoD's understanding of how a company's technology can be used.

3.3 Willingness to accept risk

Companies must recognize that the goal of DeVenCI is to find new commercial technology solutions to urgent DoD needs from sources outside of DoD's normal purview. Companies should also be realistic about the risks incurred in dealing with DoD and disqualify themselves if they do not feel they are adequately positioned financially to be able to ensure contribution to national security. Companies must recognize that DeVenCI is neither an initiative to promote the financial health of any technical sector, nor to produce a sole market for any technology source.

4. DeVenCI Personnel Standards of Conduct

DeVenCI personnel should conform to the following standards of conduct.

4.1 Focus on supporting fair and open acquisition processes

DeVenCI personnel must ensure that all DoD user participants are fully aware that involvement with DeVenCI in no way removes their obligation to ensure fair, open, and competitive acquisition processes.

4.2 Focus on broadening DoD options

DeVenCI personnel should focus on accessing the broadest possible expanse of technology solutions applicable to each set of needs selected for investigation through DeVenCI activities, including potential solutions beyond those identified through the DeVenCI consultants.

4.3 Focus on technology presentation fairness

It is imperative that DeVenCI personnel provide a knowledge brokering process that is as fair, equitable and inclusive as practicable. In particular, DeVenCI personnel must ensure that comparable technology solutions from all vendors be given the same opportunities for fair and broad presentation to potential DoD user participants, whether or not identified through DeVenCI activities.

4.4 Focus on contact completions

Unlike established large companies with whom most DoD user participants in DeVenCI are more familiar, startup companies typically have limited finances and quite narrow windows of opportunity for commercial success. Therefore, DeVenCI personnel must work to encourage DoD user participants to provide timely replies and unambiguous closure when interacting with startup companies contacted through DeVenCI activities. DeVenCI personnel will assist this process by collecting and redistributing data, reports, and conclusions about technologies to other interested DoD user participants. While DeVenCI can provide best-available information about why a technology looks promising, the technical and contracting evaluations of new technologies and companies must always be the responsibility of the DoD user participants. The DeVenCI focus must be to encourage rapid completion and closure of technology evaluations, not acquisition *per se* of new technologies or specific technology solutions.

5. DoD User Participants Standards of Conduct

DoD user participants should conform to the following standards of conduct.

5.1 Openness and fairness of contracting

It is critical that all DoD user participants understand that the company and technology information they receive through DeVenCI activities in no way diminishes their obligation as defined in the Federal Acquisition Regulations (FAR) to ensure a fair, open, and competitive acquisition process. The goal of DeVenCI is to enhance the competitive process by finding and encouraging a wider range of relevant private sector companies to participate in the competitive process.

5.2 Accurate presentation of needs

Companies with emerging technologies, particularly startup companies, are taking significant financial risks by participating in DeVenCI activities. It is important that DoD user participants represent their capability needs as accurately and concisely as possible. Additionally, it is vitally important that from the outset these companies be provided a clear understanding of the available resources and funding constraints of the DoD user participants. DoD user participants should ensure they do not inadvertently give companies unrealistic expectations about financially critical issues such as the likelihood of achieving a contract, the likely size of a contract, or the time to set up a contract.

5.3 Willingness to work with startups

DoD user participants must realize that most emerging technology companies, especially startup companies, are typically unfamiliar with DoD acquisition processes and procedures. DoD user participants should be committed to working with these company representatives to help them understand the intricacies of the DoD acquisition processes, provide insights on how to use the process more efficiently, and meet government requirements fully. The goal should be to work closely with emerging technology companies to ensure potential technology solutions are expeditiously evaluated for applicability to DoD needs.

5.4 Timeliness of responses

Time is one of the most critical resources of entrepreneurial technology leaders and small companies with emerging technologies. DoD user participants must be committed to engaging these individuals in a timely manner, providing realistic feedback to the industry contacts, and providing accurate, definitive responses to VC and company questions about the potential for a technology to meet DoD needs.